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TO RUEHC/SECSTATE WASHDC PRIORITY 7849
INFO RHEHNSC/NSC WASHDC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
RUEHQM/GULF COOPERATION COUNCIL COLLECTIVE PRIORITY
RHMFISS/HQ USCENCOM MACDILL AFB FL PRIORITY
RHEVAKS/COMUSNAVCENT PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 MANAMA 000301

SIPDIS

STATE FOR EEB/TPP/ABT/ATP JANET SPECK, NEA/ARP

E.O. 12958: DECL: 05/08/2017

TAGS: [EAGR](#) [ETRD](#) [PGOV](#) [EFIN](#) [BA](#)

SUBJECT: RESPONSE: IMPACT OF RISING FOOD/COMMODITY PRICES - BAHRAIN REF: A. MANAMA 184 B. 07 MANAMA 1089 C. 07 MANAMA 887 Classified By: Charge

- 1.(U) This message is a response to State 39410, which instructed posts to summarize the impact of food and agricultural commodity price increases.
- 2.(SBU) Higher food prices in Bahrain can be attributed to domestic inflationary pressures and the rising value of the euro relative to the dollar.
- 3.(U) Like other countries in the Gulf region, Bahrain is experiencing an economic boom. Although Bahrain is not a major oil producer, its status as a major oil consumer is a significant factor in its economic growth.
- 4.(U) Bahrain's officially-published inflation rate of 2.9 percent is widely perceived as lacking credibility. Post has established an "FSN basket of goods survey" to provide a more realistic measure of inflation. (Note: The Bahraini dinar is pegged to the dollar at a rate of USD 1 to BD 0.377. End Note.) Of essential commodities, vegetables and fruits are the most expensive.
- 5.(U) Domestic production of foodstuffs is negligible (seafood, dates, mutton, and a limited range of fruits and vegetables) and Bahrain imports most of its food.
- 6.(C) Bahrain has seen no demonstrations or disturbances associated with rising food prices. However, in a March 18 meeting with the Ambassador, the Minister of Industry and Commerce expressed concern over the impact of rising food prices on the population.
- 7.(C) Nevertheless, Al-Maraj has reiterated on several occasions that Bahrain has no plans to de-peg from the dollar. However, he expressed concern over the impact of rising food prices on the population.
- 8.(U) Senior GOB officials have recently expressed their sentiments on the food price issue in the local press. Minister of Industry and Commerce stated that the GOB is committed to maintaining food security and stability.
- 9.(U) The GOB in fact has responded to food price increases by raising food subsidies from 2006 levels of BD 11 million to BD 15.5 million in late 2007. These subsidies principally cover meat, chicken, flour, and bread. The GOB has also introduced an "inflation relief fund" to provide financial assistance to low-income families.
- 10.(SBU) Post notes that Bahrain's primary current environmental issues, including arable and coastal land degradation, damage to coastal reefs and fisheries, and air pollution, are a result of rapid urbanization and industrialization.
- 11.(U) Rising food prices were a significant factor in the decision to increase wages for LES personnel (ref C). ----- POLICY PROPOSAL
- 12.(U) One noteworthy factor mitigating rising food costs in Bahrain has been the U.S.-Bahrain Free Trade Agreement (FTA). Under the agreement, U.S. agricultural products are duty-free in Bahrain, and Bahraini agricultural products are duty-free in the U.S.